

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re

CITY OF DETROIT, MICHIGAN,
Debtor.

Chapter 9

Case No. 13-53846

Hon. Steven W. Rhodes

**STATEMENT OF MERRILL LYNCH CAPITAL SERVICES, INC.
AND UBS AG IN RESPONSE TO PROPOSED ORDER IDENTIFYING
LEGAL ISSUES, ESTABLISHING BRIEFING SCHEDULE AND
SETTING HEARING DATE AND PROCEDURES**

Merrill Lynch Capital Services, Inc. and UBS AG (together, the “Swap Counterparties”) submit this statement in response to this Court’s *Proposed Order Identifying Legal Issues, Establishing Briefing Schedule and Setting Hearing Date and Procedures* [ECF No. 5172] (the “Proposed Order”). In support thereof, the Swap Counterparties respectfully represent as follows:

On May 12, 2014, the Swap Counterparties filed the *Limited Objection of Merrill Lynch Capital Services, Inc. and UBS AG to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit or Request for Clarification with Respect Thereto* [ECF No. 4392] (the “Limited Objection”).¹ On May 27, 2014, the Swap Counterparties filed the *Statement of Merrill Lynch Capital Services, Inc. and UBS AG in Response to Order Regarding Identifying Legal Issues Relating to Confirmation* [ECF No. 5082] (the “Statement of Legal Issues”).

As noted in the Statement of Legal Issues, the Swap Counterparties believe that the issues set forth in the Limited Objection likely can be determined as a matter of law based on

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Limited Objection.

the language of the Settlement Agreement, the Court's order approving the Settlement Agreement and the Plan. In accordance with the Proposed Order, the Swap Counterparties respectfully submit this statement in order to request the addition of the following confirmation issues that can be determined as a matter of law:

1. Whether the Plan is a Specified Plan (as defined in the Settlement Agreement) that the Swap Counterparties would be obligated to vote in favor of and refrain from objecting to.
2. To the extent that the Plan is not a Specified Plan, whether the releases set forth in § III.D.7. of the Plan, which benefit certain non-debtor parties, are consensual as they relate to the Swap Counterparties and, if nonconsensual, whether such releases are legally permissible.

The Swap Counterparties and the City continue to discuss certain modifications to the Plan that would resolve the Limited Objection. If the parties fail to reach an agreement, these issues would need to be decided by the Court.

WHEREFORE, the Swap Counterparties respectfully submit that the issues set forth above can be determined by the Court as a matter of law without the necessity of proof at the confirmation hearing.

Dated: New York, New York
June 4, 2014

DAVIS POLK & WARDWELL LLP

By: /s/ Damian S. Schaible

Marshall S. Huebner
Damian S. Schaible
Elliot Moskowitz
450 Lexington Avenue
New York, New York 10017
(212) 450-4000
marshall.huebner@davispolk.com
damian.schaible@davispolk.com
elliot.moskowitz@davispolk.com

Attorneys for Merrill Lynch Capital Services,
Inc.

PAUL, WEISS, RIFKIND, WHARTON &
GARRISON LLP

By: /s/ Kelley A. Cornish

Daniel J. Kramer
Richard A. Rosen
Kelley A. Cornish
Stephen J. Shimshak
1285 Avenue of the Americas
New York, New York 10019
(212) 373-3000
dkramer@paulweiss.com
rrosen@paulweiss.com
kcornish@paulweiss.com
sshimshak@paulweiss.com

Attorneys for UBS AG

WARNER NORCROSS & JUDD LLP

By: /s/ Stephen B. Grow

Stephen B. Grow
Charles Ash, Jr.
900 Fifth Third Center
111 Lyon Street NW
Grand Rapids, Michigan 49503
sgrow@wnj.com
cash@wnj.com

Attorneys for Merrill Lynch Capital Services,
Inc. and UBS AG